

Financing Proposal for the Support to the Financing of the International Science and Technology Centre, Moscow (ISTC), and the Science and Technology Centre of Ukraine (STCU)

1. IDENTIFICATION

Programme:	Tacis ISTC-STCU Action Programme 2004
Beneficiary countries:	ISTC: Russian Federation, Belarus, Kyrgyzstan, Kazakhstan, Armenia, Georgia, Tajikistan STCU: Ukraine, Azerbaijan, Georgia, Uzbekistan
Budget year:	2004 -Financial allocation: €25 million
Budget line:	19.0601 -
Legal basis:	Council Regulation (EC, EURATOM) No 99/2000 of 29 December 1999 concerning the provision of assistance to the partner states in Eastern Europe and Central Asia.
Duration:	The period of operational implementation of this financial agreement shall begin with the signature of the Bilateral Financial Agreements with each of the ISTC and the STCU centre no later than 31 December 2005 and shall end by the 31 December 2009.
Implementation:	DG/RTD by sub delegation from AIDCO

2. SUMMARY

In accordance with the new Tacis Regulation 2000-2006, Title I, Article 3, the ISTC and STCU programmes fall under the category “Multi-country Programmes”.

The ISTC-STCU Financing Proposal 2004 is based on the previously established Nuclear Safety and ISTC-STCU Indicative Programme 2004-2006 which outlines the background and the legal basis for the operation of the two Centres, their activities and achievements so far, and the activities that are proposed for Community assistance for the year 2004.

The IP gives emphasis to the following objectives:

Non-proliferation of expertise. The Centres’ activity will focus on supporting projects and activities that create potentially useful, high value scientific employment for WMD scientists of the NIS and thereby durably lower the risk of a brain drain to potential dangerous countries and organisations. This objective is shared by the 2002 Kananaskis G8 declaration on Global Partnership, promoting therefore ISTC as a primary tool to achieve the G8 Global Partnership objective of re-employment of weapon scientists and hence non-proliferation of expertise.

Creating Industrial Partnerships: The Centres will establish themselves as consistent “match-makers” that creates and nurtures commercial and technical partnerships.

Creating High-Tech R&D Base in the Former Soviet Union (FSU): The Centres' training and technology development activities will be used to facilitate the structural adjustment of institutes willing to demonstrate their ability to conduct cost effective research and the development of self-supporting innovative structures in NIS countries.

Integrating FSU science into the world scientific community: The Centres will be active sponsors of workshops, conferences, and symposia, and will support the participation of its scientists in international scientific and business gatherings. In addition and as concern research project proposals, the Centres will promote adoption of international scientific and commercial best practice by NIS scientists.

3. BACKGROUND

The International Science and Technology Centre (ISTC) and the Science and Technology Centre of the Ukraine (STCU) are inter-governmental sister organisations that are partly funded by the European Commission. The ISTC agreement was signed on 27 November 1992 by the United States, Japan, the European Commission and the Russian Federation. The STCU agreement was first signed in 1994 between the Ukraine, Canada, Sweden, and the United States; the European Commission joined in November 1998 in place of Sweden.

The beneficiary countries of ISTC are: the Russian Federation, Kazakhstan, Kyrgyzstan, Belarus, Armenia, Georgia and Tajikistan. The beneficiary countries of STCU are: Ukraine, Georgia, Uzbekistan and Azerbaijan. Discussions are ongoing with Moldova to accede the STCU Agreement. In addition the Parties to ISTC and STCU Agreements are considering streamlined procedures to facilitate joint projects, involving the recipients countries of both Centres.

The main purpose of both centres is to give Russian and NIS scientists and engineers that possess knowledge and skills related to weapon of mass destruction or missile delivery systems, opportunities to redirect their talents to peaceful and prosperous activities. The Centres are WMD non-proliferation programmes, allowed by governmental decrees to operate within the limit of military territories where R&D is being conducted. The Centres' mission is therefore to organise the redirection of WMD scientists' activities, through supporting innovative projects in science and technology. In so doing, these programmes contribute to inducing business opportunities for both NIS and EU companies through launching of new commercial joint ventures. The first contracts under this scheme were signed in November 2003.

After 10 years of operation, the science Centres have developed from little-known small-scale centres into the leading organisations supporting S&T cooperation projects and activities. The total budget between 1994 and March 2004 - from all Parties, including Partners, to the ISTC (STCU figures in brackets) was approximately USD 569 million (USD 102 million), which supported about 1911 projects (746 projects) and 51000 scientists (11 200 scientists). The EC contribution for this period was €93.4 million and \$54.5 million to ISTC and €7.1 million and \$7.3 million to STCU.

In 2003, the ISTC (respectively STCU) funded a total of 155 regular projects (64) and 72 partner projects, among which 14 European Partner projects (37, among which 10 European partner projects) for a total of 227 projects (101 projects). In the 155 (64) regular projects, there were 5519 (1106) total scientists on the projects, and of those 2790

(770) were former weapon of mass destruction scientists. In the 72 (37) partner projects, there were 1901 (464) total scientists on the projects, and of those 850 (171) were former weapon of mass destruction scientists. Thus, the number of scientists involved in all projects funded in 2003 was 8990, of which 4581 were former weapons of mass destruction scientists.

The science Centres represent therefore a model and a true breakthrough in addressing the issue of proliferation among weapon and non-weapon states. In particular, they offer a stable framework in which every project receives a host government concurrence allowing work to be conducted within the beneficiary Weapon Institute. When the Parties commit themselves to financing science Centre project, the ISTC or STCU Secretariats in Moscow or Kiev organise the procurement of equipment, imported free of custom charges and duties, they pay non-taxable grants to each individual named in the projects and audit the project annually. In addition, the science Centres have developed a technology exploitation policy, focusing on the commercialisation aspects of project results and leading the Centres to support some further steps towards exploitation by the market. This explains the support these organisations enjoy from the Parties, their private and governmental Partners and the beneficiary countries.

In addition, in the aftermath of 11 September, the G8 nations launched the G8 Global Partnership Initiative against the Spread of Weapons and Materials of Mass Destruction. Launched in Canada in 2002, this initiative saw the G8 Nations committing themselves to raise up to \$20 billion over the next ten years to support cooperation projects, initially in Russia, to address non-proliferation issues, among which the employment of former weapons scientists.

Against that background, the science Centres' Parties have reaffirmed each Centre's mission, both as an organisation and a model to address non-proliferation concerns. In addition, ISTC welcomed the Canadian accession to its Agreement in February 2004, and welcomed G8 Countries' decision to use ISTC as a vehicle to conduct their activities in particular in the area of preventing proliferation of pathogens.

Therefore, 10 years after their inception, the science Centres are still vigorous, attractive and useful organisations serving the policy of their members to curb proliferation of expertise. The Centres, in achieving their non-proliferation goal, have also contributed to establish a forum where the most advanced nations are developing a true partnership dialogue, rooted on trust and confidence. For the EU, the science Centres are an instrument in the overall EU dialogue with the Russian Federation and with Ukraine, as well as an instrument to address international science and technology issues in support of international security in cooperation with the science Centres' members.

4. LEGAL BASIS

The ISTC and the STCU are based on two separate but similar agreements. The ISTC agreement was signed on 27 November 1992 by the United States, Japan, the European Communities (EEC and Euratom) and the Russian Federation. The agreement was concluded by the Community on 21 December 1992.

The STCU agreement was first signed in 1994 between the Ukraine, Canada, Sweden, and the United States. The European Communities (EEC and Euratom) joined the STCU

agreement in November 1998. The STCU has a more limited budget than ISTC, but the objectives, operation and structure of both centres are largely the same.

5. OBJECTIVES OF THE ISTC/STCU

The objectives of the commitment of Tacis funds to the ISTC-STCU for the year 2004 are to allow the EU to maintain its presence within these Centres, and to participate in the funding of new projects and other activities of the Centres.

The general objectives of the ISTC and STCU are laid down in Article II of both ISTC and STCU Agreements and can be summarised as follows:

- Provide weapons scientists in the NIS with the opportunity of redirecting their talents to peaceful activities;
- Support basic and applied research and technology development;
- Contribute to the transition to market-based economies;
- Foster the integration of scientists and engineers from NIS states into the global scientific community;
- Contribute to solving national and international technical problems.

The projects cover a broad range of science and technology areas, many of which address problems of global importance such as in particular:

- Environment, including: modelling and monitoring global climate change; waste disposal and processing, in particular in areas of Murmansk and the Kara Sea and around the Mayak reprocessing area;
- Efficient concepts for future energy production and global monitoring of environment linked with energy transport;
- Health observation networks for emerging and re-emerging diseases, including new vaccines and treatments for bacterial and viral diseases.
- Biotechnology and life sciences, including biochemistry, cytology, genetics and molecular biology, ecology, immunology, microbiology, nutrition, pathology, pharmacology, physiology, public health, radiobiology
- Space technologies, aeronautics, and surface transportation, including aeronautics, astronomy, extraterrestrial exploration, manned spacecraft, space launch vehicles and support equipment, space safety, spacecraft trajectories and flight mechanics, surface transportation, unmanned spacecraft
- Chemistry, general physics and other basic sciences, including agriculture, building industry technology, electro technology, geology, natural resources and earth sciences
- Information and communications, including data storage, high-definition imaging and displays, high performance computing and networking, microelectronics and optoelectronics, sensors and signal processing, software and data security
- Materials, including ceramics, composites, electronic and photonic materials, explosives and their detection, high performance metals and alloys, materials synthesis and processing

- Instrumentation, including detection devices and measuring instruments, in particular as concern global security and preventing terrorism;
- Nuclear safety, including reactor protection, risk assessment, control systems, fuel processing and nuclear material safeguarding;

6. OVERVIEW OF PAST AND CURRENT OPERATION ISSUES

6.1. Main achievements of ISTC activities

Since 1992, the ISTC programme has supported about 51000 scientists to reconvert towards civilian activities. It is worth noting that these activities include support to more than 4,000 WMD scientists living in closed nuclear cities such as the Russian Nuclear Closed cities like Sarov and Schnezhinsk. This has been achieved through support to the development of civilian and global security projects covering a wide range of sectors such as energy production, controlled fusion, basic research, nuclear safety, environment, biotechnology, space and aeronautics, materials, medical technologies, sensors and electronics and computers.

Most of ISTC projects have been medium-sized (US\$ 0.35 million) with duration of two to three years. The financial contribution of the EC represents in total approximately 27% (for an €/\$ exchange rate equal to 1) of the total funding, second to the support allocated by the USA (36%). In absolute figures in March 2004, the EU support of ISTC projects amounted to more than €93.4 million and \$ 55.1 million, to which \$ 5 million must be added from prior contributions from Finland and Sweden before their accession to the EU.

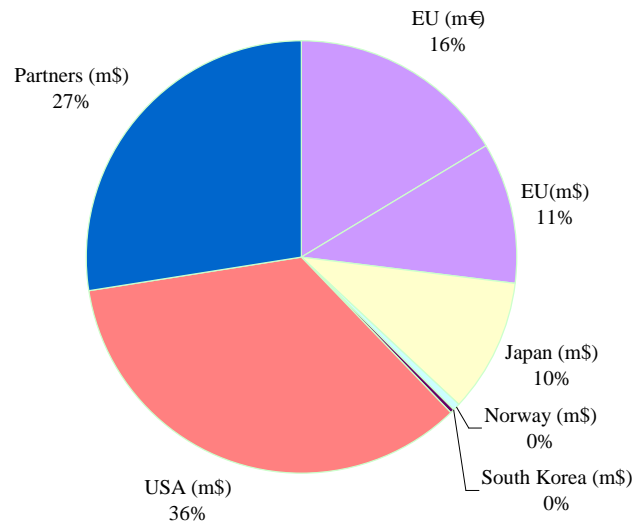


Fig. 1: Share of project funding in ISTC since 1994.

6.2. Partnering Programme

The Partner programme of the science Centres is being implemented since 1998. This programme results from the application of Article XIV of the Agreement foreseeing that Governments may chose to direct some of their cooperation programmes through ISTC (particularly other non-proliferation and threat reduction programs) to enhance the status of ISTC and achieve economy of scale.

The programme intends to respond to demands for innovative technologies by the ISTC Parties' Industry and by universities from the EU and respective Tacis countries. An essential element of this programme is to provide Partners access to fundamental knowledge and scientific competence that is critically important to foster successful business development.

In 2003, the Partner's programme has stabilized to reach 50% of activities supported by the science Centres. However, this observation is to be evaluated against the following indicators:

- out of all ISTC Partners funding, about 80% is provided by US governmental agencies;
- although important, Industry Partners activity does not offer the prospect that the Centre could become self-sustainable.

Upon that observation, the Centres are striving to achieve balanced programmes, mixing Parties and Partners research projects and activities. Projects are no longer considered as isolated, finite projects, but as projects providing some potential for exploitation, either in the non-profit science sector or in the private sector. To that effect, the ISTC Governing Board now supports the possibility of Commercialisation of ISTC project results, when an Industry and a Beneficiary are teaming up to develop prototypes, prior to launching a production line.

So far the ISTC/STCU Partner Programme has mainly been implemented through public funding (via national or international research organisations). In the future, the private sector from EU Member States should be further mobilised to contribute to this programme. This implies to give priority to projects that are integrated in the R&D development plan of the EU Partners, some of which cost is either fully supported by the Partners or shared between the Commission and the Partner.

In addition, dedicated promotion workshops and conference in the European Union are being organised, with a view to mobilising resources from the private sector and from the programmes financed by the EU Member States Science programmes.

6.3. Main achievements of STCU activities

The EC has funded the STCU since 1998 and has provided about 13% of the total donor funding. Nevertheless, this programme has funded projects covering a wide technology spectrum, including:

- Experimental technologies in equipment, measuring systems, sensors, material design and coating.

- Environmental monitoring and protection;
- Energy saving and production;
- Nuclear safety;
- Medicine, health care and biological technologies;
- Information technologies;

In addition, at the request of the EU, STCU has developed a land mine destruction programme to which the EU is contributing €400 000 to conduct projects, under the joint leadership of Ukrainian and EU scientists. This programme contributes directly to achieving the overall objective set by the EU as concerned destruction of anti-personnel landmines.

The Partnering programme provides the following trends: among 21 governmental partners, 15 are active and have financed 72 projects for US\$11.9 million and €817 000; among the 75 commercial partners, 42 are active and have financed 74 projects for a total of US\$8.9million and €339 000, with one singularity “K+S Services” having invested US\$4.1million. By comparison with ISTC, the STCU Partnering programme is better balanced. In particular one should underline the Canadian effort to promote the Partnering programme towards SMEs, providing Canadian SMEs with support of the University of Manitoba, in order to identify innovative technologies to be jointly exploited. As a result Canada has 33 Partners, mostly SMEs, which have invested about US\$1million.

6.4. Completion of infrastructure works

Offices have been opened in Tajikistan (Dushanbe) for the ISTC and Azerbaijan (Baku) for the STCU.

In addition, the STCU has been relocated to its new premises and ISTC has engaged in the process of its relocation. This last relocation will be completed in the fall of 2004 and will have cost \$ 3 million. This fund has been provided for 50% by the ISTC Partners and by the Parties to the prorata of their financing of ISTC activities.

7. ISTC/STCU ACTIVITIES FOR 2005 -

7.1. Prioritisation of R&D topics

The R&D activities to be conducted in 2005 - within the ISTC-STCU agreement should focus on broad topics, namely:

- Space and aeronautics technologies, for which Russia and Ukraine still have a competitive advantage, and which should open up business opportunities. This activity should also reinforce the links between the European Community, the European Space Agency and the Russian Federal Space Agency and hence allow a better coordination of the overall European Union actions in these countries. Subjects of particular interest will include technological developments for the use of Soyouz launchers at the European Space Centre in Kourou space exploration, testing of re-entry vehicle, robotics, inflatable technologies, scramjets, etc. This will also include continuing

interaction with Expert Groups, like the EHA¹ association, and relation with appropriate financing partners.

- Contribution to fundamental research through activities in the field of high-energy physics. This activity contributes to reinforce the links established with a number of European research organisations, such as the CERN near Geneva or DESI in Germany. In addition, these topics benefit from funds of the Russian federation, supporting a network of research institutions and including the Russian Nuclear Closed cities with other renowned institutes like Dubna and Serpukov. This support shows the national priority given by the Russian Federation to this cooperation.
- Laser technologies: these technologies are in high demand in Europe and have led to interesting proposal, such as the creation of the first International Science Laboratory managed by the Fraunhofer Gesellschaft, the Stepanov Institute of Byelorussia and ISTC, as well as the “International Facility for Research about Interaction of Picosecond Laser Radiation with Matter” a jointly managed laboratory at the Efremov Institute with two European Partners: DLR and Cilas. This approach should help this laboratory to become sustainable and hence accomplish locally the civil conversion of these laboratories.
- Fuel cell technologies: this programme launched as the first technology programme of ISTC continues to be supported by the EU, together with the US and Japan. Under the supervision of an international steering Committee, this programme focus its activity first on a demonstration of the prototype of a standalone 5kW fuel cell system, providing enough power to a set of diagnostics providing information on the safe operation of pipelines, which are in high demand from oil and gas companies in Russia and elsewhere. This programme will include networking between WMD engineers and their western counterpart and has been recognised as potentially sustainable.
- Actions in the field of nuclear safety and security. Projects in this area will continue to be monitored by existing Expert Groups set up by the EU and will participate to the transmutation of weapon-grade plutonium and other long-lived radionuclides, supporting also the goal set out by the G8 Countries to dispose off weapon grade Plutonium.
- Development of biotechnology, including nutrition and food technologies, and life science, and technologies to prevent proliferation of dangerous pathogens. In particular, the Commission will make a particular effort to coordinate actions of willing member states, supporting the establishment of priorities in the area of detecting and combating proliferation dangerous pathogens, such as pox, and providing training to transfer best laboratory practices;
- Environment, including in particular global climate change studies in the Ural and the arctic region; remediation of contaminated territories (chemical, nuclear) and support to database of nuclear objects, on land and immersed at sea, of which exploitation support the MNEPR programme, and to allow dismantling research and power nuclear reactors.

¹ EHA: European Hypersonic Association.

- Development of Information Technologies, in particular as concern applied mathematics, including software algorithms for communication, chemistry, biotechnology and other scientific domains.
- Chemistry, in particular new catalysis systems and advanced low CO₂ technologies.
- Materials, including nanotechnologies, high performance metals and alloys; composites; materials synthesis and processing, manufacturing, both research activities being included in the third priority of the sixth framework programme for R&D.
- Economic development of closed cities, since an important part of the WMD scientists still lives in these cities. This will be carried out by means of the international working group supporting the European Nuclear City Initiative and now opened to non-nuclear activities as well. The meeting of the International Working Group will now be conducted in alternate venues with meetings of the Non-proliferation and Disarmament Cooperative Initiative, supported by the Commission and the Member States.
- As concern specific ISTC and STCU activities, the EU budget will support business and specific training, patenting, travel and actions of valorisations, high level visits from EU decision makers, in particular at the occasion of the EU-Russia Industry Round Table, visits of Russian, Ukrainian and NIS scientists to Industries and public research laboratories in Europe, participation of CIS scientists to exhibitions and conferences and support to ISTC and STCU sponsored conferences such as the one organised by the ISTC Scientific Advisory Committee. In addition, considering the importance of innovation in the cycle towards graduating out of ISTC-STCU and fostering long term civil activities, the EU budget will support pilot projects aiming at enabling the creation of new technology based firms and the development of the right entrepreneurial atmosphere.

These topics are in line with the outcome of the previous ISTC-STCU programmes as well as with priority actions that evolve from a number of other EC-funded collaborative and technical assistance programmes.

7.2. Exploitation of the scientific and technical cooperation

The ISTC and STCU programmes are enhancing their pro-active approach in order to further exploit the scientific and technical cooperation between the Parties and the NIS countries, hence serving the non-proliferation objective of the Centres.

Scientific and technical innovations resulting from cooperation are being protected where appropriate, in particular in the Eurasia zone, maintaining the specific funding allocated for this purpose.

In the course of their operation and in addition to activities sponsored by the Centres' Parties, the Centres are now establishing themselves as honest brokers representing the interests of beneficiaries of ISTC activities. This leads to foster business deals with Western enterprises.

7.3. Evolution of ISTC and STCU

According to the Nuclear Safety and ISTC-STCU Indicative Programme for the period 2004-2006, the Centres' direction during that period and starting with 2004 is:

- To enlarge the Centres' mandate so that they may address other non-proliferation issues of international significance, and
- To provide an efficient and effective organisation that is responsive to ISTC Partners including governmental agencies and private industry.

7.4. Impact Assessment study.

In the course of 2004-2005, the Commission will launch a procedure to conduct an impact assessment study of both science Centres.

7.5. Budget

The proposed budget is €25 million to cover both ISTC and STCU activities. The indicative allocation is €21 million and €4 million for ISTC and STCU respectively.

8. PROGRAMME IMPLEMENTATION

The ISTC and STCU are intergovernmental organisations established respectively in 1992 and 1994 by agreements between the European Commission and the United States, Japan and the Russian Federation for ISTC and the Ukraine, Canada, Sweden and the United States for the STCU. The European Commission joined the STCU in November 1998.

The European Commission, together with other Parties to the centres, support activities of the ISTC and STCU operating bodies and organises regular Governing Board meeting for each centre. The Governing Board of the ISTC and the Governing Board of the STCU review the centres' non-proliferation policies and programmes, approve budgets and set new initiatives for each centre. An ongoing Board activity is the review, approval, and funding for proposals of the submitted projects. Following each meeting, the Governing Boards issue listings of new science projects, which have received funding.

The management and administration of the ISTC and the STCU are sub-delegated from DG/AIDCO to DG/RTD, Directorate-General for Research. DG RTD coordinates as appropriate with other DGs in their areas of responsibility and thereby promotes networking management benefiting from the Commission's experience, devoting particular attention to technical implementation, monitoring and review.

The Financing Decision will authorize the commitments of €21 million to the ISTC and €4 million to the STCU. On the basis of those commitments DG RTD will sign the Bilateral Agreements with the ISTC and the STCU. The Bilateral Financing Agreement to be sign with the ISTC will specify the financial contribution of the European Commission as follows:

- €17.9 million will be transferred for projects and supplemental activities,
- €3.1 million will be transferred for the centre's 2005 administrative operational budget and activities.

The Bilateral Financial Agreement to be sign with the STCU will specify the financial contribution of the European Commission as follows:

- €3.4 million will be transferred for projects,

- €0.6 million will be transferred for the centre's 2005 administrative operational budget and activities.

8.1 Time-limit for signing the financing agreement

The bilateral financing agreement must be concluded at the latest by 31 December of the year following that in which the corresponding global financial commitment was adopted. Failing this, the funds assigned to it will be cancelled.

On the base of the Bilateral Financial Agreements signed with the ISTC and the STCU, the centres will have the delegated responsibility to sign contracts with final beneficiaries. Target beneficiaries are NIS scientists who will submit their projects in response to open calls for proposals.

8.2 Performance period

- (a) The implementation period of the financing agreement starts with the entry into force of the financing agreement and ends 31.12.2011.
- (b) This performance period falls into two separate phases:
 - (i) Operational implementation of the main activities. This phase starts with the entry into force of the financing agreement and ends 31.12.2009.
 - (ii) A closure phase during which the final audits and evaluation are carried out along with technical and financial closure of the contracts implementing the financing agreement. This phase starts with the end of the operational implementation phase and closes at the end of the performance period.
- (c) Expenditure arising from the main activities is not eligible for Community financing unless it is incurred during the operational implementation phase. Expenditure arising from final audits and evaluation and from closure activities is eligible until the end of the closure phase.
- (d) Any remaining balance of the Community contribution will be cancelled automatically six months after the end of the performance period.

8.3 Contracts implementing the agreement

The science Centres are contracting authorities both for grants and procurements.

- The science Centres act as contractor using the instrument of grants. The rules applicable to this joint management arrangements have changed and in 2003 DG RTD has implemented specifications in each Bilateral Financial Agreement to that effect, following the new financial regulation of DG BUDG and the DG Aidco practical guide.
- The Procurement contracts signed by the centres should apply international rules (approved by Governing Boards). DG RTD has verified that those rules are confident and give guarantee to internationally accepted standards. Rules on procurements will be confirmed by appropriate provision of each Bilateral Financial Agreement.

Subject to the review of the Bilateral Financial Agreements, relevant level of guarantees will be given, in accordance with the Financial Regulation of the European Commission.

8.4 Monitoring, evaluations and audits

Operations financed under the ISTC and STCU programmes will be subject to supervision by the relevant Commission services and the Court of Auditors, to be carried out on the spot if necessary. The accounts and records of expenditure under the present programmes may be checked at regular intervals by an external auditor contracted by the Commission, without prejudice to the responsibilities of the Commission, including the European Antifraud Office (OLAF), and the Court of Auditors.

Periodic financial reports are provided to the Parties and the Boards on the Centres' administrative expenses, contracts concluded for projects awarded and relevant detailed expenditure (ISTC Statute, Art. XV; STCU Statute, Arts. XV and XVI).

An auditor approved by the ISTC and STCU Boards and provided by the Parties on a rotation basis is appointed to conduct annual audits of the Centre's expenditure and related financial activities (ISTC Statute, Art. XVI(B); STCU Statute, Art. XVI (C)).

The Commission does not directly monitor the activities or results of the work of scientists who are participating in EU-funded research projects. Instead, the Commission relies on the mostly Russian technical specialists and accountants at ISTC overseen by managers from the European Union, the United States, and Japan to monitor scientists' progress in completing their research. The Science Centres also uses outside EU monitors to conduct reviews of a sample of EU-funded projects.

Project monitoring of the STCU follows the same procedure as for the ISTC. Regular on-site monitoring is undertaken by the STCU Senior Project Managers. Upon request of the Parties, specific monitoring missions are organised by the STCU, in compliance with Article XV of its Statute.

The ISTC's output has been in general in conformity with the work-plan, though the monitoring team discovered for some projects problems in the field of implementation. The evaluators also noticed some weaknesses in the potential sustainability of some projects.

The monitoring procedures set up by the ISTC and STCU at the beginning of 1996 continue to work to the satisfaction of the Parties. The Parties receive progress reports on the projects that they finance or co-finance. In addition, at each Governing Board meeting, the Parties receive a list of projects that have been monitored on site in the course of the previous quarter and a schedule of projects to be monitored on-site for the coming three months. This is a convenient way for the Parties to request specific information on the projects.

In the same manner as for the ISTC, the Commission will set up European expert groups in particular technology area to provide scientific reviews of EC-funded ISTC-STCU projects. For that purpose, the Commission plans to delegate this task to experts who will be responsible for following up each project and for providing periodic scientific assessments of work-in-progress. The main tasks of these experts will consist in analysing the implementation reports, visiting projects on-site, and attending internal (within the

Commission) and external (with European collaborators) progress meetings with a view of assessing the prospects of commercialisation of STCU projects in each area of technology.

In addition to the follow-up and controls carried out by ISTC and STCU on a regular basis, the Commission's services and the Court of Auditors may choose to audit project on the spot, or conduct independent ex-post evaluations periodically, in order to assess the relevance, effectiveness, efficiency and impact of the programme.

In addition to on-site visits, the EC monitors projects through meetings held in Brussels with the European collaborators who participate in the project execution, thus providing periodic assessment of progress.

9. COST ESTIMATE AND FINANCING

The total amount of this Financing Proposal is €25 million. These funds shall be allocated by 31 December 2004 and will be provided upon presentation of invoices submitted to the Commission.

10. CONDITIONALITY

Assistance is provide on the basis of the existence of the necessary elements for the continuation of co-operation through assistance, in particular respect of democratic principles and human rights, as well as the obligations set out in the Partnership and Co-operation Agreement.